Texas Workforce Commission

Adult Education and Literacy

Summer Business Meeting 2020

Handout

July 30, 2020

Day 2, Session 2

Subrecipient Monitoring (SRM) and Audit Resolution

Presenters:

Alma González, 512-936-2513, alma.gonzalez2@twc.state.tx.us

Mary Millan, 512-936-2312, mary.millan@twc.state.tx.us

Ruth Cureton, 512-936-2506, ruth.cureton@twc.state.tx.us

Contents

Subrecipient Monitoring (SRM)

[Alma González begins presenting]

Why Do We Monitor?

- AEL Contract
    - Section 12 – Records Retention, Confidentiality, and Access
    - Section 13 – Monitoring, Audits, and Evaluations

The purpose of our monitoring is defined in the AEL grant agreement:

Section 12 Records, Retention, Confidentiality, and Access, subsection 3 states, "The Grantee shall grant access and the right to examine, copy, or mechanically reproduce all reports, books, papers, documents, automated data Centers, and other records pertaining to this contract. Such rights of access and examination are granted to the duly authorized representatives... of TWC ...and other state and federal auditing agencies.

Also, under Section 13 Monitoring, Audits, and Evaluations, subsection 2 states, "The Agency reserves the right to conduct … an independent audit of all funds received by the Grantee under this grant award. Such an audit may be performed by the local government audit staff, a certified public accounting firm, or other auditors as designated by the Agency and must be conducted in accordance with applicable federal rules and regulations, grant award guidelines, and established professional standards and practices."

Objectives

1. Before your review
2. During your review
3. After your review
4. Common monitoring issues
5. Audit resolution process

Today we want to go through what you can expect when your agency is selected to be reviewed by our department. We will take you through the process of what we do to prepare for a review, during the review and after the review.

Keep in mind that due to COVID-19, the requirements that we will be addressing here may change or differ, depending on the situation at the time that your entity is scheduled for review.

Before Your Review

Monitoring Process

Once your grant is selected for a review, the Project Manager will contact the Grantee to schedule the review, we will recommend review dates and confirm those dates, once the dates have been confirmed, SRM will:

- Issue an Engagement Letter 12 - 13 weeks prior to the review.
- Issue a Document Request Packet (DRP) approximately 8 weeks prior to the review. The DRP will outline documents that we need to review and assists us in developing our desk review.

- Allow the Grantee 3 weeks to prepare and upload the documents to SharePoint.

Approximately 12 -13 weeks prior to the review, the Engagement Letter will be sent to the contact person(s) indicated on the grant agreement. Most grant agreements have a contact sheet that identifies the name of the person responsible for executing the grant deliverables, otherwise the person who signed the grant will receive the Engagement Letter.

The Engagement Letter verifies the dates that we are scheduled to be on-site and allows the Grantee to designate a person to be the point of contact between TWC monitors and the Grantee.

Approximately 8 weeks from the on-site review, we will send out a Document Request Packet (DRP) that outlines documents that we need to review to assist us in developing our desk review.

The Grantee will have three weeks to prepare and upload the documents into SharePoint.

AEL Subrecipient
Document Request List
Project # 20.xx.xxxx

The following items must be provided to the monitoring team prior to the review of the **Adult Education and Literacy Contract #xxxxAELxxx**. Items should be provided to **Name**, Project Manager, by **Month Day, 2019**.
- Please reference the location of the items on disk or USB drive. Ex: 1.OrgCht.
- If materials are not provided, please indicate the reason in the last column, and **contact the project manager**.
- Please include this completed DRP list with the items.

Please refer to the accompanying instruction sheet for specific details.

Please provide the requested information in electronic format, either Microsoft® Word or Excel unless a specific format is requested.

Items Requested	Reference Location	If Not Provided, Please Explain
Organization Information: 1. Please provide a current, dated copy, of the Adult Education and Literacy (AEL) Subrecipient's organizational chart. Chart should include names, job titles, location, and telephone numbers specifically for AEL contracts. Also, please provide a copy of your facilities schedule which includes facility location, teacher's name, type of class.	1.OrgCht	

Figure 1: AEL Subrecipient Document Request List

The Document Request Packet is 4 pages long and consists of information requested for both program and fiscal.

Areas covered in the DRP include:

- Organizational Charts
- Contracts and Non-Financial Agreements
- Cost Allocation Plan
- Accounting Records (general ledger, chart of accounts, etc.)
- Check Register
- Subrecipient accounting records (if applicable)
- List of bank accounts, bank reconciliations, trial balances, bank statements
- Payroll reports
- Class schedule
- Policies and Procedures

If you have any questions regarding any of the information being requested, you will have a contact person (Project Manager), along with their phone number that you can contact at any time.

It is very important that you adhere to all deadlines for submitting information.

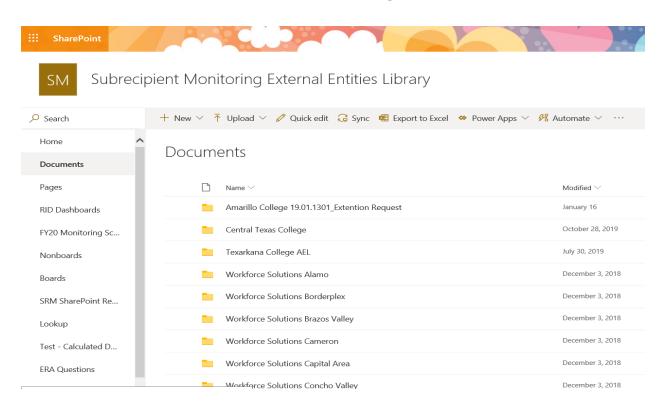All DRP information should be submitted using SharePoint.

Figure 2: Subrecipient Monitoring SharePoint Library

Once you have prepared all the requested documents in the DRP, a designated staff person will be given access to SharePoint, along with a back-up person, they will upload all the files into their designated folder.

When the Grantee opens SharePoint, you will ONLY have access to your folder. You will not be able to see any other folder. The screen shot on this page is what we (SRM) see when we go into the library.

All Grantees will be monitored about every three years, or more frequently based on risk assessment.

Your agency may have had a previous monitoring review, so your entity's folder may have more than one sub-folder, each folder will be identified using the Fiscal Year (FY). Make sure that you're adding new information to the correct folder (EX: FY20). Our FY is from September 1 – August 31. The FY is also the first two digits of the project number listed in the header of the DRP (Shown on previous slide).

Pre-Planning Meeting

Approximately 5 weeks before the onsite review:

- We will have a meeting with AEL staff to obtain their feedback on the areas we anticipate to test.
- Determine if they have any concerns that may require additional follow-up or testing while on-site.

We always get feedback from other departments to ensure that everyone has input, and concerns are brought to our attention to determine whether we need to follow-up or monitor the concern(s) while on-site.

Samples, and Questionnaires

- Samples of the files and transactions that we will use to test will be sent to the Grantee along with questionnaires that we will need to have completed upon our arrival.
- Samples and questionnaires are normally sent to the Grantee the Tuesday before the on-site review.

The scope of review is normally for fiscal purposes because they report on the 20th of each month for the previous month's activities; however, if needed we do hold the right to monitor up to the day that we exit to expand our sample.

If you have any questions, you can contact the Project Manager.

Pre-Review

- The Project Manager (PM) will contact you and make arrangements for a time and location of the entrance conference.
- In the same meeting, we will need to know approximately how many staff from your office will be present.
- It is up to the Grantee to determine the Grantee staff who need to be at the meeting.
- Depending on the size of the review and its complexity, SRM may have anywhere from 2 to 5 monitors on site.

If special instructions are needed, please inform the PM. Depending on the location of the review to our home office (Austin), we may drive or fly and rent cars. If parking has been set aside for the monitors, or parking is in a specific area, please let the Project Manager know so that they can inform their staff.

Maps of the facility and any other instructions also help.

Keep in mind that due to COVID−19, adjustment for on-site reviews will be determined closer to the scheduled time of the review.

During Your Review

Entrance Conference

- Project Manager will go over the agenda, which outlines the expectations of the review.
- Project Manager will have all staff introduce themselves.
- All attendees will need to sign in using our Sign-In Sheet. Copy of the sign-in sheet can be provided to the Grantee for its records.
- PM will also schedule the frequency of in-person debriefings and status reports with management.

Usually, at the end of the Entrance Conference, staff will approach their contact(s) to introduce themselves, exchange phone numbers or share business cards, and arrange a date and time to go over the questionnaire or obtain a process.

This process is obtained early in the review, unless there are scheduling conflicts.

In-person debriefings are optional; however, the day before the expected exit conference, a debriefing must occur to discuss the issues that will be noted on the exit conference report.

Debriefings and Status Reports will be conducted with the Program Director or their designee. We will discuss the status report in another slide later in the presentation.

Review Commences

- Monitors will take inventory of the requested files.

- o Any file/transactions missing will be noted.
- Monitor will sign out the files for the duration of the review.
- All files provided will be returned at the end of the on-site review.

Both the Grantee contact and TWC monitor will sign the files out, and once the review is completed, the files will be inventoried back to the Grantee.

A. All files will need to be provided no later than Tuesday morning
B. If a file is not provided, all testing attributes will be failed, unless documentation can support circumstances beyond your control occurred (hurricane, flood, fire, etc.).

Throughout the review process, staff will work with Grantee contacts to obtain clarifications, obtain further documentation, review policies and procedures, etc.

Before the end of the review, TWC monitors will go over each file with the Grantee contact for the area tested and discuss any failed attributes. This will allow Grantee staff to provide further documentation (if available), prior to our exit. This also ensures that there are no surprises at the end of the review.

Program Areas Tested

- Eligibility
- Assessments
  - o [AEL Assessment Guide 2020-2021](#)[1]

For eligibility and intake testing, we look for:

---

[1] https://twc.texas.gov/files/agency/ael-assessment-guide-twc.pdf

- Supporting documentation in the file to support the client is eligible.
- All required documents completed, signed and dated by both participant, parent (if applicable), and AEL staff.

For assessment testing, we look for:

- Assessments done timely, based on the Assessment Guide
  - Copies of the assessment outcomes match data entry in TEAMS
  - All assessments identified in TEAMS are supported in the case file.

[Now Mary Millan will be presenting the rest of the monitoring sections]

Fiscal Areas Tested

- Disbursements
- Procurements
- Cash Management
- Financial Reporting

During disbursement testing, monitors verify that all transactions charged to the grant are allowable, reasonable, necessary, allocated correctly, and are properly supported.

For more in-depth information, the Financial Manual for Grants and Contracts (FMGC) covers areas of disbursement testing, including:

- Chapter 8: Cost Principles
- Chapter 11: Cost Allocation and Resource Sharing
- Chapter 12: Indirect Cost Rate

Also, the following Adult Education and Literacy letters:

- AEL Letter 04-15: Cost Allocation and Spending Priorities
- AEL Letter03-19: Combined Funding effective April 30, 2019

The next area we test is Procurement. Small and micro purchases are usually tested with the disbursements.

On January 1, 2020, the FMGC was updated to include new procurement thresholds:

- Micro Purchases are for supplies & services that are less than or equal to $10,000. Grantees can make micro-purchases without soliciting price or rate quotations if the Grantee considers the price to be reasonable based on information such as research, experience, prior purchases, or other information. The basis should be noted in support documentation or specified by the Grantee's policies and procedures.
- Small Purchases are for any other purchases less than or equal to $250,000 (simplified acquisition threshold) that require procurement.
- Formal Procurements are any procurements where the total value of the procurement exceeds the simplified acquisition threshold, including all options.

Monitors may test procurement of leases based on the applicable procurement threshold of the lease amount.

For additional information on conducting procurements you would refer to FMGC Chapter 14.

Just a reminder, your procurement policies and procedures can be more restrictive than what is outlined in the FMGC, but they can't be less restrictive.

For testing of cash management, TWC monitors review your accounting records and information in the Cash Draws and Expenditure Reporting

(CDER) system for the contract(s) under review. A walkthrough of the cash management process may be conducted for a selected month during the scope of the review.

For testing financial reporting, we analyze the expenditures reported in CDER compared to the general ledger provided in the DRP. TWC monitors will follow up on any variances noted. A walkthrough of the financial reporting process may be conducted for a selected month during the scope of the review.

AEL Letter 01-13: Cash Draws and Expenditure Reporting Instructions, provides guidance on cash management and financial reporting.

Additional Areas Tested

- Monitoring and Oversight
- Personally Identifiable Information (PII)

Monitoring and oversight is required by:

- TAC Code 802.82 AEL Grant Monitoring Activities
- FMGC Chapter 19: Monitoring
- AEL grant agreements

Grantees that receive federal and/or state funds administered by TWC must conduct regular fiscal and program monitoring of their activities and those of their subrecipients or consortium partners.

The monitoring must cover all programs, functions, or activities supported by federal and/or state funds administered by TWC, and be sufficient to accomplish the following objectives:

- Determine that expenditures have been charged to the cost categories and within the cost limitations specified in the applicable laws and regulations.
- Determine whether there is compliance with provisions of applicable laws and regulations.
- Provide technical assistance as necessary and appropriate.

Monitoring must include the development and implementation of a risk assessment tool, monitoring program, and a reporting and resolution process.

Written policies and procedures that describe and support the monitoring process must be developed and implemented.

The next area we monitor is Personally Identifiable Information (PII).

Based on the Office of Management and Budget (OMB) and Department of Labor Employment and Training Administration (DOLETA) definitions, TWC defines PII as follows:

PII is information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual.

PII includes, but is not limited to:

- Social Security numbers (SSNs)
- Telephone numbers
- Birth dates
- Marital status
- Educational history
- Financial information

WD Letter 02-18: Handling and Protection of Personally Identifiable Information (PII) and Other Sensitive Information, provides information on PII.

Status Reports

Throughout the week, PM will update management on the progress of the review; which may include:

- Missing documentation
- Pending information
- Status of the testing and results
- Potential issues

The first status report will usually be sent Tuesday (or second day of the review), and each day prior to the exit conference. As Alma mentioned earlier, the Grantee may also request in-person debriefings.

Issues

Issues:

- Are deficiencies in program performance based on material noncompliance with statutory, regulatory or program requirements for which corrective action is required.
- Usually a systematic weakness.
- May result in questioned costs.

Issues usually result in the Grantee submitting documentation to Audit Resolution.

This can take the form of a revised policy, training agenda and sign-in sheet, or remitting the amount of the question cost.

This will be covered in more detail in the Audit Resolution section.

Areas of Concern is a deficiency where corrective action is not required.

Although Area of Concerns may not require the Grantee to respond to the concern, you should take measures to correct the concern internally. If the Area of Concern continues, it may become an issue in a subsequent review.

Example

The Grantee did not ensure the self-attestation form used by one consortium member contained all required elements. However, through monitoring the Grantee addressed this issue with the consortium partner.

Exit Conference Report

- At the end of the review, the team will exit with the Grantee.
- An Exit Conference Report will be part of the meeting and will include:
    - All issues noted
    - Any areas of concern
    - Missing documentation
    - Resources available to the Grantee after the review (contact information)
    - Sign-in Sheet

Sign-In sheets are required for both entrance and exit conferences.

Make sure that you and staff legibly write your name and title, and when possible provide the TWC monitors a business card as Alma noted earlier.

After Your Review

Project Wrap-Up

- TWC monitors will complete their field work and submit the project for review.
- The PM is required to review all work conducted to ensure completeness, accuracy, and all findings are supported.
- The project is also reviewed by management.
- Then, the Report Writers will start working on the final report.

Sometimes, there may be circumstances that cause a delay in the report being issued.

An example would be if monitors are waiting for a determination, or input from other departments or Office of General Council.

Common Monitoring Issues

Program Monitoring Issues

- Client Eligibility
- Assessments
- Monitoring
- PII

Now let's review some of the areas that have led to issues in prior reviews.

For Client Eligibility we have noted the following:

- Enrollment Form: Must be signed and dated, and complete. Also, they must contain all elements required by AEL program. If applicable, it must contain the signature of the participant and parent.
- 16 & 17 years old: If a student is court ordered, the order must state the student is required to participate in the AEL/GED program. It also must be signed by a judge and dated.
- Withdrawal forms: Must state the date the student withdrew from the school. Must be signed and dated by a representative of the school, such as a Counselor or Principal.

Another issue we have found is missing assessments. All assessments noted in TEAMS must be supported with documentation maintained in the case file.

Also, the Individual Training, Education and Career (ITEC) plan must reflect the progress of the client (updated, when applicable).

Like I mentioned before, monitoring and oversight must be conducted according to TAC Code 802.82 AEL Grant Monitoring Activities and the AEL grant agreement.

Also, Grantees must have policies and procedures that ensure the protection of PII, including proper storage and disposal of PII information.

Fiscal Monitoring Issues

- Disbursements
  - Support documentation
  - Micro and small purchases
  - Travel
  - Leases
- Cost allocation

- Indirect cost

Probably the biggest issue overall is support documentation.

Documentation required may include, but is not limited to, travel records, time sheets, invoices, contracts, mileage records, billing records, telephone bills and other documentation that verifies the expenditure amount and appropriateness to the grant.

Documentation that is required is also driven by your entity's policies and procedures, which we consider during our review.

The golden rule is: If you aren't sure, you should probably include it, and doing anything out of the ordinary, write a memo.

This is usually a contributing factor for most <u>Micro/small</u> purchase issues. These could relate to:

- Using the wrong methods based on the thresholds and your policies.
- Following the right method, but not documenting what you did.
- Restricting full and open competition.

I know it is not as relevant right now, with COVID-19 going on, but, issues with travel and meals usually relate to travel reimbursement policies that are not in compliance with state travel guidelines. An example would be not limiting reimbursements for meals, to the lesser of actual costs; or the maximum state rate in effect on the day the expense was incurred, in accordance with WD Letter 19-11. However, Grantees may choose to be more restrictive.

Also, hotel and mileage reimbursements should not exceed the approved GSA Rates for the area and time of travel (Grantee may be more restrictive)

Leases can be another area that gets overlooked. For leases that are being charged to the grant, procurements must be conducted in accordance with FMGC guidelines.

For all the areas mentioned, the program director should think about how to meet grant specific requirements if they are different than what you would usually do.

In the past, cost allocation has been a common issue. Currently, only AEFLA combined funding and EL Civics are required for allocation of funding sources. Grantees may also have disbursements that require allocation between program and administrative activities.

Indirect cost:

Pursuant to the U.S. Department of Education regulations at 34 C.F.R. 76.563 through 76.569, indirect costs charged to funds made available under AEFLA are limited the restricted indirect cost rate in the Grantee's current approved indirect cost rate agreement.

The restricted indirect cost rate is the lesser of:

- The restricted indirect cost rate or
- An indirect cost rate of eight percent (8%).

[Question and answer period]

[And now Ruth Cureton will go over the Audit Resolution Process]

Audit Resolution Process

The Purpose of Audit Resolution

Is to work with the Boards and Grantees to resolve the findings noted in the state monitoring reports.

Review Cycle

1. Select review date
2. Engagement letter
3. Document request letter
4. Desk review
5. Fieldwork
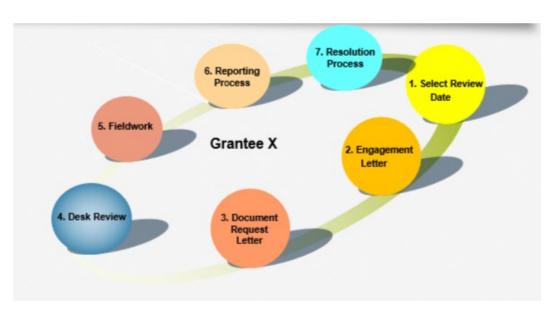6. Reporting process
7. Resolution process

Figure 3: Review Cycle Diagram

This diagram shows where audit resolution falls within the monitoring process. Alma and Mary just covered the first 6 steps. Audit Resolution begins after the final report is issued, and we also feed our information into the planning phase for the following year's monitoring. During the pre-planning phase, we also communicate to the monitoring team how each finding was resolved.

TAC Rule

Resolution process is identified and required by commission rule:

Commission Rule 40 Texas Administrative Code, Part 20 §802.65(b)

Based on when the monitoring report is issued, the audit resolution section will prepare and issue an initial resolution letter, which notifies a Board, AEL grant recipient, or Agency grantee or contractor of administrative findings and questioned costs. The recipient of the letter then has 45 calendar days from the date the letter is emailed to respond.

Administrative Findings vs Questioned Costs

We have two types of findings administrative findings and, or questioned costs.

Administrative Findings

Corrective action documentation requested to address the weakness identified includes but not limited to:

- Updated policies and procedures

- Recent monitoring and results of the monitoring conducted for the weak areas identified.
- Recent training documentation if conducted.

Sanction requests for unresolved findings.

Questioned Costs

Corrective action documentation requested to address the weakness identified includes but not limited to:

- Eligibility documentation
- Procurement documentation
- Any additional documentation for us to consider in allowing the questioned costs.

If no additional documentation can be provided by the Grantee and they agree with the disallowed costs, they will be required to repay the costs by remitting a check payable to TWC.

If the Grantee disagrees with the disallowed costs, we go through a three-step process:

1. **Initial Determination** - If the questioned costs set forth in the initial resolution letter are not resolved, an initial determination is issued notifying the Grantee of the Questioned costs.
2. **Informal Resolution period** - A 60-day period, from issuance of the initial determination, for the Grantee to submit a response, including providing evidence or documentation of the appropriate actions taken.
3. **Final Determination -** If the questioned costs remain unresolved at the end of the 60-day period, audit resolution will issue a final

determination to notify the Grantee of allowed or disallowed costs and to establish debts.

The Grantee has the right to appeal the final determination and request a state level hearing.

Appeal Process for Questioned Costs

1. Request stating specific reason for appeal is sent by Grantee to TWC **OGC** within 10 calendar days from the final determination date. It must be sent by certified or registered mail.
2. If an appeal is requested and approved, a hearing officer is designated and the collection of debt is pending until final decision of the hearing.
3. Failure by a Grantee to timely request a hearing waives their right to a hearing. The final determination shall constitute TWC's final action and is not subject to further review.

Audit Resolution Closure

Administrative Findings - Once response is received and documentation adequately addresses the finding(s) and no additional information is needed, an Audit Resolution report is issued closing the monitoring report.

Questioned Costs and Appeals - Once check is received, Audit Resolution issues Audit Resolution Report closing the monitoring review. In an appeal, if the final decision is in favor of the State, a check for the disallowance is requested and the file is closed, once the check is received.

[Question and answer period]